

Policy Position

Europe is hollowing out its Green Deal, leaving a vacuum of political vision for others to exploit

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Jannik Jansen, Senior Policy Fellow, Jacques Delors Centre

Philipp Jäger, Senior Policy Fellow, Jacques Delors Centre



Despite pledges to “stay the course,” the EU is quietly hollowing out the Green Deal by weakening the policies meant to deliver its climate targets. This retreat undermines Europe’s competitiveness, energy security, and global credibility at a moment of escalating climate and geopolitical risk. Reclaiming and strengthening the Green Deal remains both an opportunity for economic renewal and a strategic imperative.

Executive Summary

“Staying the course” has been Brussels’ slogan for EU climate policy in 2025. Yet judged by that yardstick, policymakers are falling short. After the 2024 European elections, the Commission and centrist majorities in Parliament and Council pledged to simplify climate policy in a targeted manner and make it more business-friendly, while, crucially, doing so without lowering overall ambition. As the year draws to a close, it is increasingly difficult to argue that this promise is being kept.

Instead, a succession of legislative revisions is hollowing out the Green Deal’s foundations. While the political centre still professes lukewarm commitment to Europe’s overarching climate targets, the instruments needed to achieve them are being weakened one by one: carbon pricing is delayed and risks being softened just as it begins to bite, investment support remains below what the transition requires, and green standards that once provided clear direction are being blurred. If this road is pursued further, the Green Deal may not be undone in one dramatic moment, but it will steadily be drained of the credibility and purpose that once made it Europe’s flagship political project.

This retreat is a puzzling choice, and a strategic miscalculation. Doubling down on clean policies is not just an imperative to keep the planet habitable, but a matter of hard European self-interest. Economically, a credible and reinforced Green Deal gives industry predictability to invest, while boosting growth in sectors that will determine future competitiveness. It also lowers energy costs over time and reduces exposure to imported fossil fuels that have repeatedly proved volatile and politically risky. The geopolitical case is just as clear. Delivery on climate at home is a precondition for credibility abroad: it underpins Europe’s ability to forge new partnerships, not only on climate but across trade, investment, and security cooperation, at a moment the United States is no longer a reliable partner. And the fiscal logic points in the same direction. Cutting emissions and investing in adaptation now is far cheaper than the inevitable catch-up later, as climate impacts intensify and the costs of disruption mount.

Now more than ever, the political centre needs a coherent, emotionally resonant story about Europe’s future, one that can counter fear-driven politics, guide difficult policy choices, and bring the public along. The Green Deal, for all its imperfections, came closest to providing such a vision by tying climate action to economic renewal, sovereignty, and a credible promise to future generations. Despite persistent claims of climate fatigue, it still [enjoys broad public support](#), and abandoning it would only leave a vacuum others are ready to exploit. Importantly, there is still time to correct course. Rather than retreating further, pro-European parties should reclaim and update the Green Deal. Owning the agenda will do far more to undercut the far right than diluting climate ambition in the hope of placating its critics.

From “Europe’s man-on-the-moon moment” to politics of pragmatism

When President von der Leyen took office in 2019, she did so amid a wave of climate mobilisation and a broad cross-party consensus to accelerate Europe’s green transition. The Green Deal quickly [became the defining project](#) of her Commission. Yet, as the 2024 European elections approached, the spirit of ambition was eclipsed by anxieties over costs and competitiveness, and an emboldened far-right anti-climate campaign that pushed mainstream parties to become more timid on climate action, either to avoid handing the far right a wedge issue or to capitalise on the shifting political winds. In Brussels, many insisted this shift was merely cosmetic, a change in tone rather than a weakening of the agenda itself. And when the

“centre held” in June 2024, the new von der Leyen Commission pledged to “[stay the course](#)”, setting the expectation that a recalibration, not a reversal, lay ahead.

To be clear: reasoned refinements are not only legitimate but necessary. The Green Deal was never flawless, and some design errors or unintended effects only became visible as its policies moved from paper to practice. Just-transition measures are [too fragmented and small](#) to cushion uneven impacts on regions, sectors and households. The build-out of enabling infrastructure – from [electricity grids](#) to [hydrogen pipelines](#) and [EV charging](#) – has lagged behind what the transition demands. And technical tools, such as the Carbon Border Adjustment Mechanism designed to prevent carbon leakage, still need calibration to function as intended. Addressing such shortcomings through sensible adjustments would genuinely strengthen Europe’s green transformation and its democratic legitimacy. That requires an open, evidence-driven political debate and meaningful engagement with affected communities, businesses and civil society.

But this is not the route European leaders have taken. Instead of revisiting the policy mix with the analytical rigor and nuance needed, cutting legislation is often justified by little more than vague claims that climate policy has gone too far, become too costly, or lost touch with businesses and ordinary people. The method chosen only deepens the problem: To amend legislation, the Commission has turned to [so-called omnibus packages](#), which bundle loosely related files, [effectively sidestep](#) established impact-assessment and consultation procedures, and therefore leave legislation unusually vulnerable to pressure from well-organised lobbies that, unlike most other stakeholders, still have a seat at the table. Meanwhile, in the Council and European Parliament, even balanced Commission proposals face blunt rewrites - either because the centre-right secures a majority with the far right, or because the looming threat of doing so pushes centre-left forces into wide-ranging concessions. In this environment, nearly every legislative procedure is at risk of becoming an opening for further dilution.

Maintaining the façade while weakening the tools needed to deliver it

This dynamic is clearest in the intermediate climate targets for 2035 and 2040, meant to serve as the Green Deal’s “north star” for steering long-term investments. The [recently adopted 2040 target](#) appears bold at first glance with its 90 per cent reduction headline figure. Beneath that surface, however, its credibility is weakened by allowing international carbon credits to count towards the goal instead of requiring the full effort to be delivered through emissions cuts within the bloc. This dilutes a domestic climate target that already sits at the lower end [of what the EU’s own scientific advisory board recommended](#). And by opening Pandora’s box of external offsets, the EU lowers the bar to justify shortcuts in the future.

While the ambition of Europe’s climate targets already rests on creative accounting, the credibility gap becomes impossible to ignore once one examines how the toolbox needed to achieve them is systematically emptied. Green standards were designed to give industry a clear and predictable trajectory for the transition. Instead, many of them are now being quickly diluted.

The most visible climb-down from ambitious standards is the proposed revision of the emission fleet standards underpinning the 2035 phase-out of combustion engines. What was once a clear commitment to zero-emission vehicles is now being softened. Under the Commission’s new [“automotive package”](#), manufacturers would only need to achieve a 90 per cent reduction in fleet-wide CO2 emissions, with the remainder offset through the use of “green

steel” and bio- or e-fuels. New mandatory targets requiring corporate fleets to include a minimum share of zero-emission vehicles do little to conceal the broader shift away from a firm zero-emission trajectory in road transport. This ambiguity is also unlikely to support EU car-makers’ long-term competitiveness, by encouraging short-term bets on combustion engines instead of focusing efforts on closing the gap on electric mobility.

Even carbon pricing, long hailed across the political spectrum as the EU’s most efficient and market-friendly tool for reducing emissions, is now suffering a similar fate. For years, its proponents argued that a robust carbon price could carry much of the transition on its own. Yet now that the system begins to bite in politically sensitive areas, many of the same voices are the first to demand exceptions. The launch of the Emission Trading System for heating and transport (ETS2) [has been delayed by a year](#); a retreat foreshadowed [when numerous member states failed to submit](#) their national social climate plans on time – plans explicitly designed to shield vulnerable households and offer accessible avenues for green investment. What could have been a tool to ease concerns and build public confidence instead became collateral damage in a rush to pre-empt political controversy.

And the rollback may not stop there. Pressure from parts of industry, trade unions and political parties is growing to weaken ETS1, which covers industry and the power sector. Important industries, like steel and many chemical producers, are set to see free allowances phased down, meaning they will have to pay for an increasing share of their emissions in the coming years rather than [relying primarily on free allocation](#). Diluting these and other alleviations for industry emissions [has quickly](#) gained traction [in the debate](#) recently, despite the highly impressive emission reductions that ETS1 achieved over the last decade.

If Europe were genuinely recalibrating its policy mix while promoting its political vision, softer regulatory “sticks” would at least be matched by a decisive ramp-up in investment “carrots”. But the opposite is happening: Public subsidies to spur private clean investment are provided at far lower volume and speed than the Green Deal had originally promised. Subsequent strategies like the [Net-Zero Industry Act](#) and the [Clean Industrial Deal](#) raised expectations of a meaningful public push, yet policymakers have increasingly set other priorities and pointed to fiscal constraints at both national and EU level. The result is that the funds [actually disbursed amount to only a fraction of what is needed](#).

At the same time, Europe is weakening the financial infrastructure needed to align private capital with its stated climate objectives. Such alignment requires knowing, at least roughly, how sustainable the activities of companies really are. The Corporate Sustainability Reporting Directive and the Corporate Sustainability Due Diligence Directive could have provided this transparency - but the EU [gutted them this year](#), by sharply narrowing the number of companies in scope and postponing key obligations. At the same time, [the gap](#) between what companies invest and what the transition requires keeps widening.

If climate policy is being thinned out, environmental policy has been pushed almost entirely off the agenda. Some promised laws, including the [Deforestation Directive](#), were repeatedly postponed, whereas others such as the [Green Claims Directive](#) were simply scrapped altogether. And the [latest omnibus proposal](#) to reduce reporting on industry pollution and waste is part of a very long line of laws that have reduced environmental protection this year, with more to come in 2026. Europe currently shows no appetite for advancing environmental protection at all, increasing the risk of a biodiversity crisis.

Taken together, these developments paint a clear pattern: Even if some individual adjustments can be defended as political compromises, the overall direction is unmistakable.

Targets may remain on paper, but the instruments required to meet them are increasingly weakened, delayed, or discarded. Europe may preserve a façade of climate ambition, yet piece by piece it dismantles the very scaffolding that once made the Green Deal a credible and confident political project. The consequences reach far beyond climate policy, shaping Europe's competitiveness, resilience, and standing in the world.

Backpedaling on the Green Deal undermines Europe's long-term competitiveness and economic resilience

While EU leaders routinely defend the retreat from the Green Deal as necessary for competitiveness, in practice, it risks achieving the opposite. Weakening climate rules may promise short-term relief to a few incumbent industries, but it exposes the broader economic base just as global markets for clean technologies are expanding. Even if Europe were to stand still, others will not. Competitors like China are strategically investing in cleantech manufacturing, [pulling ahead rapidly](#) in many of the technologies that will shape the future. Diluting the policy framework meant to steer Europe's industrial transformation [raises the risk that its firms fall behind even further](#). It also creates persistent uncertainty for companies and consumers, who rely on predictable policy signals to plan investments and adapt production. A delayed or chaotic transition, instead, would become a penalty on front-runners, result in stranded assets and miss out on global first-mover advantages.

At the same time, slowing the energy transition entrenches Europe's exposure to volatile fossil-fuel markets and external suppliers – vulnerabilities laid bare painfully by Russia's invasion of Ukraine. Replacing dependency on Moscow with dependency on Washington or Doha does not resolve the problem; only a decisive pivot to wind and solar power, alongside long-term energy storage, can do that. Far from strengthening competitiveness and sovereignty, retreating from climate ambition risks locking Europe into higher costs, weaker industries and deeper geopolitical dependency.

Compromising international credibility when Europe needs it most

Europe is also squandering a crucial opportunity on the world stage. For years, the EU has cast the Green Deal as proof of global leadership. But leadership depends on credibility, not self-description. Proclaiming commitment to international climate goals while rolling back the domestic legislation and international climate finance needed to deliver them creates a mismatch that is increasingly hard to hide. Similarly, the EU's [last-minute compromise](#) on domestic climate targets ahead of this year's Climate Change Conference (COP) may have averted a self-inflicted embarrassment in Belém, but it signals hesitation rather than offering a compelling cue for others to raise their ambition.

This credibility gap carries geopolitical consequences. With the United States no longer a predictable partner, Europe needs new alliances in Latin America, Africa and Asia to defend a rules-based order it benefits from. Yet many of these countries are already wary of the EU's moralising tone and perceived double standards; what they seek is consistent delivery on commitments, alongside genuine engagement with their priorities and constraints. A Europe that retreats from its own climate agenda is unlikely to persuade others to raise their ambition, and risks damaging relationships precisely when it needs them most.

The retrenchment of the US from international climate diplomacy, though deeply troubling in many respects, also creates an opening for the EU. By stepping into the space Washington

has left and showing resolve in tackling the mounting realities of climate change, the EU could position itself as an anchor of stability. In an increasingly volatile global environment, stronger climate partnerships would reinforce the EU's sway in other domains, from trade and investment to security cooperation. Instead, the EU currently risks diminishing its leverage in the multilateral arenas where it hopes to assert itself.

Accelerating climate impacts will expose the costs of inaction

Europe's political drift is unfolding just as climate reality becomes impossible to ignore. Cutting climate ambition runs directly counter to scientific advice and to Europe's own interests in stability and resilience. As the 1.5°C pathway is [now slipping out of reach](#), the continent is already experiencing escalating impacts of climate change – from record heatwaves and agricultural losses to destructive floods. Europe is the [fastest warming continent](#) in the world, and slowing down climate policies will accelerate negative impacts and increase the costs of adaptation.

The claim that tight national budgets cannot bear more substantial climate investment given other priorities therefore rings hollow: The bill does not disappear; it is merely deferred. Future generations will face far higher adaptation costs because today's policymakers failed to put the EU on a sufficient trajectory. An approach that claims to prioritise economic prudence while ignoring these mounting liabilities is not prudence at all, but political short-termism that responds to today's pressures at the expense of a credible promise to future generations.

A strategic vision the centre should own, not abandon

The political centre's reluctance to champion the Green Deal is driven, at least in part, by the fear that doing so would further fuel the far right, which has deliberately weaponised opposition to climate policy as a wedge issue. As far-right forces gain influence, they increasingly shape the boundaries of what European leaders consider politically possible.

But this logic is deeply flawed. When mainstream actors echo far-right talking points, dismantle flagship policies, or even use far-right votes to do so, they may defuse controversy around a specific file in the short term. In the process, however, they validate the populist backlash narrative: that climate action is elitist, punitive, and ultimately optional. Far from containing extremist influence, this dynamic legitimises it, lowering the threshold for the far right to push its narratives into new domains.

The better political strategy is making a clear, unapologetic case for the societal and economic benefits of the green agenda. Despite criticism on specific measures, overall public support is far more robust than the politics of retreat suggest: [85 per cent see climate change as a serious problem](#), 81 per cent back the EU's goal of climate neutrality by 2050, and nine in ten want more renewable energy and efficiency. The business landscape, too, is more nuanced than the loudest critics imply. While a few well-organised lobbies dominate the headlines, [most firms are not opposed to the transition](#). Many have already invested heavily in cutting emissions, restructuring supply chains and developing clean products.

Importantly, Europe is not yet beyond the point of correction. While key pillars of the Green Deal are being shaken, much of its policy architecture still stands. The direction can still be reversed if European leaders start treating the transition as the opportunity it is. That means

providing clear and reliable conditions for long-term investments by citizens and companies, and adopting policies that allow them to experience the transition not as an abstract burden, but through tangible gains in their daily lives.

A confident EU would defend the Green Deal as a core strategic project. Not because it is perfect or beyond refinement, but because abandoning it leaves Europe weaker economically, socially, and geopolitically, while creating a vacuum of political vision that others are ready to fill. The task for the political centre is not to quietly retreat from the Green Deal, but to own it, update it and make it a central element in a coherent and forward-looking vision for Europe.

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Friedrichstraße 180
D – 10117 Berlin
Tel.: +49 (0)30 259219-339

Online: delorscentre.eu
E-Mail: info@delorscentre.eu
Bluesky: delorsberlin.bsky.social